



LAND EXCHANGES AND SALES: A GUIDE TO PROPERTY TRANSACTIONS WITH THE MDNR

This information is provided By authority of Part 21 of Act 451, P.A. 1994, as amended

The Michigan Department of Natural Resources (MDNR) manages State-owned land acquired through tax reversions, purchases, gifts, and grants. Most of these properties are dedicated as State Forests, State Parks and Recreation Areas, Water Access Sites and Wildlife Areas for use and enjoyment by the public, and are not available for exclusive private use or for sale.

Some properties, however, may be available for sale or exchange by the State. These properties, due to their location, size, or changes in land use in the area, may no longer be viable properties for the State to own. The MDNR will consider selling or exchanging such lands if the transaction enhances the management of natural resources or provides other public benefit. The objective of the State in making these exchanges or sales is to increase operating efficiency, increase opportunities for natural resource management, consolidate current land holdings and provide access to them.

In general, the land exchange, sale and auction process described here is usually initiated by citizens seeking to acquire land within a particular dedicated area. A separate program, in which tax-reverted lots and parcels are regularly auctioned by the MDNR to the public, is handled through the Tax Reversion and Land Records Section of the MDNR's Office of Land and Facilities.

Under what conditions would the MDNR consider selling or exchanging land within a dedicated area?

Certain dedicated properties that do not enhance the management of the State's lands are considered by the MDNR as "surplus" parcels. Isolated properties may be considered surplus, and may be available for purchase or exchange. Changes in land use, such as the construction of a public highway, may make some parcels less desirable for the State to continue to own.

In addition, the MDNR is authorized to conduct real estate exchanges provided that, from a resource perspective, the private lands offered to the State for exchange are equal to or better than the State lands desired by the applicant. In addition, the lands offered should have approximately equal or greater value based on appraisal than the fair market value of the State lands released.

Property exchanges or sales, which would involve breaking up parcels of dedicated State-owned land generally do not offer any advantages for the State to consider. The MDNR owns and manages properties for all citizens of Michigan. Since it is entrusted to manage lands for public use, the MDNR must make public use and benefit its priority over individual or private use.

The MDNR also is interested in acquiring privately owned lands that will enhance the management of its dedicated properties. As an example, some properties owned by the State may have irregular boundary lines, or may have privately-owned, smaller parcels within or adjacent to the dedicated area. Transactions that bring together parcels of property to form contiguous boundary lines help enhance the management and use of the State's lands.

What is the process to acquire State land?

Private individuals may acquire state-owned property through purchase or exchange. Purchases are usually done by auction through an advertised bid process. In certain instances, the MDNR may sell land directly to an adjacent property owner. The following procedures also apply to requests for easements over State land or crossings of rail-to-trail corridors.

The process involves several steps:

1. An applicant submits an application for purchase or exchange. All information requested on the application form must be provided before a review will begin. An application fee, which helps cover some of the costs involved to review the proposal, must accompany the application. The fee is for processing the application only, and does not imply the purchase or exchange will be approved. A map, preferably from a plat book or subdivision map, which highlights the "desired" (and, for an exchange, the "offered") parcels should also be included. A survey description and drawing are useful, if the application involves a parcel with a detailed description.

2. Applications are screened to determine if they are in compliance with Department Land Exchange policy. If so, a field review is conducted. MDNR staff visits the site and reviews the request. This review includes determining natural resource features and public recreation use values, evaluating access and land management, and reviewing the location of the property and its relation to other protected lands. Results of the field review are forwarded to the MDNR Office of Land and Facilities where they are submitted to the MDNR Land Exchange Review Committee (LERC) for consideration.
3. The LERC meets periodically (approximately bi-monthly) to review application proposals.
4. The applicant is notified of the LERC's recommendations. If the transaction received preliminary approval, the applicant is instructed on how to complete the transaction.
5. The property being conveyed to and/or from the State is then appraised. In most cases, the applicant/purchaser is responsible to pay for the appraisal. If the process involves a land exchange, the applicant must pay for appraisals on both properties. An MDNR-approved appraiser must be used to perform all appraisals. If the property will be auctioned by the MDNR, the MDNR will conduct the appraisal. The applicant also may be responsible for a land survey, if one is needed.
6. An exchange or sale agreement outlining the terms of the transaction is sent to the applicant once the MDNR reviews and approves the appraisal.
7. Public notice is conducted by posting details of the transaction in the MDNR publication, "Calendar," 10 days before the director's approval or disapproval, which takes place during a Natural Resources Commission (NRC) meeting. Cases are also listed on the NRC agenda, which is publicly distributed prior to NRC meetings. There is opportunity for public comment at all NRC meetings. Notice of pending sales or auctions is also printed in newspapers in the county where properties are located prior to NRC meetings.
8. The Director's decision is sent to the applicant following the NRC meeting in which the transaction appeared on the agenda. Final instructions outlining the steps to complete the transaction are included.

What are the costs involved?

All applicants must pay an application fee (\$300 for parcels up to 320 acres, \$500 for parcels over 320 acres) and pay for an appraisal on lands involved in an exchange. A survey may also be required.

For exchanges, the applicant will need to provide the following:

- commitment of title insurance on the offered land;
- pay all taxes on the offered land in the year of closing;
- pay transfer tax and recording fee on the deed from the State to the applicant;
- pay any difference in the value of the State-owned land compared to that of the offered private land.

Prior to closing the applicant must satisfy all encumbrances and provide clear title to the offered land.

For direct purchases, the applicant will need to pay for the appraisal, any survey that might be required, and an additional 10 percent of the fair market value of the State land to cover Department administrative expenses.

For purchase by auction, the applicant will need to pay only the bid price.

How long does the process take?

Typically, it may take anywhere from six to twelve months from the time the application is received through completion of the review process. In some cases, it may take longer, depending on the property, how it was acquired by the State, and other factors requiring detailed evaluation. For lands acquired with special funding sources, approval from the funding agency (such as Michigan Natural Resources Trust Fund or U.S. Fish and Wildlife Service) is required before property is released. This step lengthens the approval time.

Does the State retain any rights to the land?

Yes, in some cases the State of Michigan may retain:

- Rights for ingress and egress to rivers, lakes and streams across any lands it conveys.
- Rights to any historical artifacts found on the property (such as Native American pottery).
- Mineral rights may be retained if they are under lease, when the land has unusual or sensitive environmental features, or when it is determined to be in the best interest of the State. For exchanges, minerals may be exchanged for equal value mineral rights on the property to be transferred to the State.

What does the State do with the money received from land sales?

The proceeds from the sale of land go into the MDNR's Land Exchange Facilitation Fund where they are used to acquire additional lands as replacement for the properties sold. If the property to be sold was originally acquired with funds from the Michigan Natural Resources Trust Fund, the proceeds from the sale of that land goes back to that fund.

What kind of title is conveyed?

Title to the property is conveyed with a quit claim deed. It is the responsibility of the applicant to obtain title insurance. The State does not issue a warranty deed.

When is the payment due to purchase the property?

The payment to purchase is due immediately (45 days) after the applicant is notified that the director has approved the sale.

Under what conditions are application fees refunded?

Application fees are not refundable. Only in those cases where the applicant is not the successful bidder in an auction for the land will the application fee be refunded.

Where can I get an application?

Land exchange or sale applications can be obtained from:

REAL ESTATE SERVICES
OFFICE OF LAND AND FACILITIES
MICHIGAN DEPARTMENT OF NATURAL RESOURCES
PO BOX 30448
LANSING MI 48909-7948

Telephone requests can be made to (517) 241-3455, or online at <http://www.michigan.gov/dnr>.

Who can I call to check on the progress of my application?

Applicants may call the DNR, Office of Land and Facilities, Real Estate Services Section at (517) 241-3455 to check on the status of the application.

TTY/TTD: 711 (Michigan Relay Center)